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I. F. Stone's Weekly

VOL. XII, NO. 6 FEBRUARY 10, 1964 WASHINGTON, D. C. 15 CENTS

Untested in War But Already A Genius At Finance

A charming note of self-sacrifice was struck by South Vietnam's new dictator, Gen. Khanh, on his first visit to the countryside to give out candy to the children, GI style, and establish his "image" as just folks. He told junior officers in Ben Cat that the men he overthrew were "unworthy" leaders "who spent their time in night clubs flirting with girls!" He, on the other hand "is now in a position to flee South Vietnam with $10 million and 'live an easy life—but I have chosen this one'." We saw this account in the *New York Herald-Tribune* Feb. 3. All the other papers we read seem to have omitted this charming on-the-scene report. It may make readers wonder how a minor general in a country like South Vietnam could spare enough time from the task of fighting guerrillas night and day to amass $10 million. Our new strong man may or not turn out to be much of a general, but he is already a success as a financier. Perhaps our psychological warfare corps can make good use of this. We can see the posters going up in the most remote villages, with the story: South Vietnam as a land of opportunity under free enterprise, where the humblest village boy may aspire to become a General and amass 10 million bucks. We can safely double-dare Ho Chi-minh to try and match that one.

What They Fear to Say Publicly

While this Horatio Alger hero was busy building up morale in the villages, we were happy to see that the *New York Times* led off its editorial page Feb. 1 with a plea to utilize de Gaulle's initiative for a neutral solution in Vietnam like that originally intended (until Dulles upset it) by the 1954 Geneva settlement. The *Times* said there were few responsible officials in Washington "who, privately, would not be delighted to do just that." That same day, President Johnson at press conference indicated that if de Gaulle's proposal were to neutralize North as well as South Vietnam it would be "considered sympathetically." De Gaulle's proposal is to neutralize North as well as South Vietnam. Edgar Snow in a recent interview raised this question with Chou En-Lai without eliciting a direct refusal (complete text, *Washington Post,* Feb. 3). We believe the path to peace lies through a conference on Cambodia in which the two sides can feel each other out unofficially on Vietnam. The Vietnamese war is a blind alley which is destroying faith in our government not only there but at home. One day McNamara says the situation is grave; next day that we're making progress. The day after, in its weekly Vietnam report, the Pentagon's statistics show that the war is going worse than ever, while the latest news is that for the first time since 1959 the Viet Cong were bold enough to raid and bomb a U.S. military compound.

The biggest obstacle to a settlement is the myth that the South Vietnamese war is an invasion, not a rebellion. Secretary Rusk in his speech Jan. 22 at the 75th anniversary of Barnard College trotted out this same stale official version. The dangerous corollary of the view that it was all a plot from outside is the reckless proposition that the way to end the fighting around Saigon is to bomb Hanoi. That way lies a new Korea or worse. Short of occupation by a major U.S. army, which the guerrillas can bog down for years as they did the French, there is no alternative to negotiation and neutralization. It is a pity more opinion-makers do not have the courage to say this aloud as did the *New York Times.*

Our Best People Were The Buyers

One aspect of the Bobby Baker case involves the inner clique which runs the Senate and which Baker served. This is the oligarchy of which the late Senator Kerr was a central figure, and its main concern is to manipulate public resources and the tax structure for maximum profitability to private interests. Baker and the lobbyists who figure in the inquiry so far were only their tools, picking up a little "chicken-feed" on the edges. It is the Senate establishment which should be on trial, and we applaud Senator Williams of Delaware for declaring in a TV interview with Senator Keating Feb. 2 that the Senators should not be the untouchables in this inquiry. If it were not for Williams of Delaware the whole dirty business would have been hushed up long ago. Another aspect of the Baker case is the use of girls in the manipulation of the Senate. This, if opened up, could ruin men who should have known better. It helps explain why both parties in the Senate hope to sidetrack and bury the Baker case during the debates over taxes and civil rights.

Williams is the main obstacle. But even if he were removed, some half dozen violations of Federal law have already been uncovered, and could not be hushed up without the connivance of the Justice Department. Some of these matters reach into the new President's personal staff, and the insurance kick-backs into his family affairs. If this is the extent of his involvement, he and the country are lucky. But Baker was for eight years his protege, and right-hand man as majority leader of the U.S. Senate. In all fairness, if the Presidency is to be brought in, then there ought also to be an investigation into Drew Pearson's charges that three oil men bankrolled Eisenhower's farm at Gettysburg and then tried unsuccessfully to deduct their largesse as a business expense. Mr. Eisenhower has called this "a tissue of lies." It can easily be checked in Internal Revenue records. A thorough airing might improve public standards. But the nomination of Congressman Byrnes as a favorite son for the Presidency by Wisconsin's GOP, after his profitable participation in one Bobby Baker exploit came to light, shows little public indignation about making a fast buck by selling legislative influence. After all the buyers were our best people and they go unscathed.

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McNamara's Report on the Defense Budget Shows A New Monster Lurking Around the Corner

Why A Freeze on Offensive and Defensive Missile Systems Is Urgent

We hope neutral delegates at Geneva will obtain a copy of Secretary McNamara's annual report to the House Armed Services Committee Jan. 27 on the defense budget. His discussion of the anti-missile missile may help them to see how urgent is the subject opened by Wm. C. Foster, the chief U.S. disarmament negotiator, in his Jan. 31 presentation to the Geneva conference. This began to spell out in detail the U.S. proposal for a freeze on offensive and defensive strategic weapons. Just around the corner lies a new monster. Should either of the two great powers move into the production and placement of anti missile systems, the costs of the arms race will skyrocket again and with it there will be a sharp rise in tension. The time to prevent this is now, and the U.S. proposal deserves the most careful consideration, especially since the enforcement measures spelled out by Mr. Foster do not seem too onerous.

Missile Sites No Secret Anyway

The most comprehensive account, in the *New York Herald-Tribune* Feb. 1, indicates three main measures of control (1) missile plants and testing sites would be declared and placed under international control; (2) each nation would be allowed an agreed number of strategic bombers and missiles and permitted to replace only those destroyed under international control; and (3) while missile testing without warheads would be allowed to insure reliability, no nation would be permitted to develop "a significantly new type" of delivery vehicle. Missile plants and testing sites, like bomber plants and air fields, are huge affairs which cannot be kept hidden from intelligence anyway. The idea of negotiating an agreed number of strategic delivery vehicles is not so far from Mr. Gromyko's proposal of last September for an agreed minimum deterrent. The nine-point program unveiled by Mr. Tsarapkin at Geneva Jan. 28, while it contains little that is new, does reiterate Soviet readiness to accept controls over "actual disarmament measures." From a world point of view, it would be good if the U.S. freeze proposal were coupled with an actual cutback and the abandonment of our MLF gimmick for putting the German finger on the nuclear trigger.

In the absence of some such freeze as proposed in the U.S. plan, we shall all be pushed sooner or later into the new and nightmarish stage of the arms race sketched out by Mr. McNamara. Anti-missile systems would be a bonanza for the missile and electronics industries which see dwindling markets ahead. Mr. McNamara is not at all sure that the anti-missile systems now under development would be worth their enormous cost. Even one (he says) which would be "relatively effective" against "small to moderate missile attacks" would cost $16 billion plus additional amounts to operate plus the cost of a national fallout shelter program and "even then fatalities would number several tens of millions." Extensive fallout shelters would be required because otherwise "offensive missiles could easily be targeted at points outside the defended area and thereby achieve by fallout what otherwise would have to be achieved by blast and heat effects."

On the other hand an anti-missile system for use against all-out attack would require shelters against blast and heat. These really require, though Mr. McNamara does not say so, putting urban populations underground and the costs would be astronomical. Otherwise the attacker could elude the anti-missiles by detonating his missiles at altitudes where it would be difficult to distinguish real warheads from decoys.

Here is how Mr. McNamara explains this in his calm technological discussion of the lengths to which human lunacy may soon go in the atomic era. "The effectiveness of the Nike-X system against attacks employing decoys," Mr. McNamara told the House Committee, "would vary with the altitude at which the incoming warheads must be engaged. The lower the altitude, the better the chances of discrimination, but the greater the chance that the weapon might be detonated before it is intercepted. But, the lower the altitude at which the weapon is detonated, the higher the blast and thermal effects on the ground for any given yield. Thus, to the extent that we can protect the population against the blast and heat of a nuclear explosion, we can wait longer before engaging an enemy missile and can thus be surer that we engage the warhead, not a decoy."

All this takes place, as Mr. McNamara did not explain, in split minutes. It takes some 30 minutes for a missile to travel between U.S. and USSR. It might be spotted in five or ten minutes, hit at 15 or 20 or 25. The extra five minutes would make it easier to distinguish the decoys. But how do you get urban populations into billion dollar burrows in 5 or 10 minutes, in the panic of a nuclear alarm, when even snow storms clog our city streets for hours? This is, however, the madness which lies ahead unless we can somehow freeze missile development.

Bad Time to Boast

It is most unfortunate that the evening before the U.S. at Geneva presented a detailed plan for a freeze on missiles the AEC released an unusually candid account of its underground testing program. The test ban treaty was also a freeze on development of nuclear weapons, in which the Soviets accepted inferior status for the sake of putting some brake on the arms race. The AEC boasted that it has been able to test weapons yielding as much as 200 kilotons—10 times the Hiroshima bomb—underground, achieving a wide range of improvements. It disclosed that 23 secret tests had taken place in addition to those earlier announced, bringing the total at the Nevada Testing Grounds alone since Sept. 1961 to 109 tests. The report outlined an extensive program of future testing. Why did the usually secretive AEC become so candid? The effect of its revelations must be to raise pressure in Moscow to resume testing, too.

Look Who Kept Calm

"Sen. Barry Goldwater, R., Arizona, an Air Force jet pilot himself, said it is 'hard to believe' the plane really got lost. 'I don't know what they were doing over East Germany,' the Senator said in Pittsburgh, where he was addressing a Republican fund-raising dinner. 'It's kind of hard to believe that all your navigational equipment would go out at once on that airplane.' Sen. Goldwater, who is a Major General in the Air Force reserve, with 250 hours at the controls of T-39s said, 'If you're over enemy territory where you're not supposed to be, you can expect things like that'." *—New York Herald-Tribune, Jan. 30.*

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A Speech The Press Ignored: Corporations Spent On New Plant Only 50 Cents of Each Tax-Saved $1

The Myth That Corporate Tax Cuts Are the Way to Create More Jobs

By Senator Albert Gore *

It seems to me that neither equity nor economics dictates a reduction in rates paid by big business. I do favor and support the reversal of the normal and surtax rates so that the rate for small business will be cut to 22 percent.

As for big business, it seems we could dismiss equity considerations quickly. Although the corporation is a separate entity, its assets, earnings and profits ultimately inure to the benefit of its stockholders. Corporations we know are largely owned by the affluent. The poverty-stricken do not own General Motors or A.T. & T. stock. A study now underway at the Wharton School of Finance at the University of Pennsylvania shows that 1 percent of individual taxpayers own about half of all corporation stock held by individuals.

Corporate Tax Rates Have Gone Down Steadily

Since the rich and the very rich are given such generous tax reductions in this bill, there are no equity grounds for reducing corporate taxes. The fact is that we have been reducing the effective tax rates for corporations quite steadily and regularly during the past few years. There were rapid amortization changes during the Korean war, accelerated depreciation enacted in 1954, administrative changes in depreciation approved by the Treasury last year, the investment credit enacted last year, and the further liberalization of this credit contained in the current tax bill, HR 8363. Of course we have retained the same stated rates, but the effect of these rates has been drastically altered, thus materially reducing the rates actually paid.

Corporations got about $2.4 billion in tax reduction under the 1954 Internal Revenue Code. Last year they got another $2.25 billion as a result of changes in depreciation and enactment of the investment credit. What is the effective corporate tax rate? In 1946, corporate taxes amounted to about 33 percent of profits plus capital consumption allowances [i.e. depreciation, investment credits, etc.]. Today the comparable figure is about 29 percent. This is an effective tax reduction of about 10 percent.

*** Slightly abridged from a neglected speech made in the Senate by Albert Gore, D., of Tennessee, who seems to be the last agrarian radical left in the upper house and has been campaigning against the inequities and fallacies of the pending tax bill.**

Lower Incomes Often Pay Higher Tax Rates

Sen. HUMPHREY: The tax—as a percentage of income for the group with $5 million and over—is 24.6%?

Sen. DOUGLAS: As compared with an apparent rate of 90.7%.

Sen. HUMPHREY: Yes. In other words, we read about the 90% tax on incomes or the 75% tax on income, but the fact seems to be that when we examine the rates, a worker who receives an income of less than $10,000 a year may well be paying a larger percentage of his income in taxes than the multimillionaire.

Sen. DOUGLAS: That is correct.

Sen. HUMPHREY: I never could quite understand how, if taxes were as high as people said they were, there could be any money left.

—Colloquy in the Senate Jan. 23 when Douglas of Illinois attacked new loopholes in capital gains.

Not only have we been cutting tax rates in a disguised form, but these cuts have not really been effective—or they have been inefficient—in promoting investment and equipment. We have concrete proof of this.

The most optimistic statements I have seen about the effects of the $2.25 billion tax reduction given corporations last year have been to the effect that this cut has induced $1.2 billion of increased spending for plant and equipment. This is an efficiency of about 50 percent. Can we expect any better performance from this year's proposed cuts? I think not.

The upshot of all this is that we give corporations a tax cut of $2 to induce them to spend $1 for plant and equipment. Hopefully, this kind of expenditure, costly as it is to the government, will create jobs. Actually it has not and likely will not, at least not in manufacturing. We have lost almost 1,000,000 jobs in manufacturing during the past 10 years, despite increased production.

A tax cut is a most inefficient way to induce expenditures by corporations. And plant and equipment expenditures are not likely to create any jobs. Indeed industry is daily accelerating the trend toward automation, thereby not only failing to create jobs, but even failing to maintain current job levels. Should we not, then, consider eliminating the corporate rate reductions, except for small business, and either save this amount of revenue loss or use it to give a better break to low income consumers?

The Related Myth That A Lag in Profits Behind GNP Explains Economy's Slowdown

"It [a comparative table in the Congressional Record at page 1001, Jan. 23] shows, for instance, that corporate profits after taxes just barely doubled between 1946 and 1963, while GNP [Gross National Product] almost doubled. This has led many to believe, and to state that corporate profits have not kept pace with GNP. This has been cited as one of the reasons for our alleged slow rate of growth in recent years. It has been said that this is one reason for the lack of sufficient investment in new plant and equipment, and that this has, in turn, been one of the main causes of unemployment.

"Nothing could be further from the truth. Let us look at cash flows. Corporate profits after taxes, plus capital consumption allowances, have kept pace with GNP, running at a pretty steady 10 percent. Furthermore, dividends have kept pace with GNP, running about 3 percent.

"If one claims that only the profit figures are to be considered, then he must of necessity condemn corporate management for paying out too much in dividends. Dividends being paid out today amount to about two-thirds of corporate profit after taxes. As a percentage of corporate profit after taxes, dividends have gone up 50 percent since 1946. If bookkeeping profit is in reality the key figure, then dividend payments are, without question, too high.*

"The fact is that corporations are highly liquid, and cash flows have in recent years exceeded investment in new plant and equipment."

—Gore (D. Tenn) to the Senate, Jan. 23.

* What would happen to the stock market if dividends were reduced, cutting already low yields?—IFS

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How Civil Rights Reforms, Particularly on Voting Rights, Are Sabotaged in The District Courts

Time to Put the Spotlight on Racist Southern Federal Judges

As this was being written (Feb. 4) the historic civil rights bill seemed headed for an almost complete victory in the House. This is a good time to recall that the effectiveness of the Act will depend in considerable measure, particularly in voting cases, on the readiness of the Federal District Judges to enforce it. Congressman Corman (*D. Cal*) in an extension of remarks the second day of the debate (pps. 1593-4, *Con. Rec.* Feb. 1) called attention to the way in which Southern Federal District Judges hostile to civil rights had succeeded in sabotaging past reforms. The most dramatic evidence of this, as he pointed out, was the fact that despite the big reform of the 1960 Act, its provision for voting referees, "No Federal voting referee has ever been appointed by any Southern Federal district judge regardless of the degree of voting discrimination proved in court."

Congressman Corman called the attention of the House to a masterly 43-page piece of legal sleuthing, an unsigned "Comment" in the *Yale Law Journal* for last November entitled "Judicial Performance in the Fifth Circuit" which covers the deep South. This, the first careful study of its kind, turned up many cases"—as Mr. Corman told the House—of delay, inaction and even total refusal to enforce the laws that we have enacted." The *Yale Law Journal* study found that "of President Kennedy's eight appointments to district courts in Georgia, Alabama, Louisiana and Mississippi, four have indicated a considerable reluctance to follow the letter and spirit of the prevailing law in the civil rights area." The study found "numerous" instances of "disobedience of higher courts."

Eastland's Influence on Judgeships

Normally such judges would be sifted out, before confirmation, by the Attorney General and by a vigilant Senate Judiciary Committee. Unfortunately Chairman Eastland's political power has fostered the appointment of Judges hostile to the law they are supposed to enforce. Robert Kennedy has played along with him. The 3-judge court reform in voting cases being passed by the House as this is written will not wholly end this evil, since the same type of judges will often be sitting on the 3-judge courts. It is time to organize counter-pressure. If a handful of Yale Law School students can do this good a job, what couldn't be accomplished by an official investigation? Two such are feasible, and could outflank Eastland. Dawson's Government Operations Committee in the House, chaired by a Chicago Negro, has full power to investigate the conduct of these Southern judges. An inquiry could also be made by a constitutional rights subcommittee of House Judiciary as urged by three members, Corman, Kastenmeier and Edwards.

Mr. Corman also suggested that the Supreme Court, through its power to change the rules of civil procedure could tighten the reins on recalcitrant judges by providing strict time limits on granting or denying injunctions. It could also provide for a civil rights docket in any district to which a judge could be assigned specially in the discretion of the Chief Judge of Circuit and with the approval of the Chief Justice. Mr. Corman submitted a proposed new Rule 71B to accomplish this. It would prevent foot-dragging by the new three-judge panels in voting rights and speed up justice in all other civil rights cases as well.

Louisiana Witch Hunt

The witch hunt may have died down on the national scene but it rages on in the South. Two officers of the Southern Conference Educational Fund and the law partner of one of them were indicted Jan. 29 on charges of violating Louisiana's subversive activities law which—like the Internal Security Act—requires the self-registration of "subversives." SCEF's subversion is its work against racial discrimination; the Rev. Fred Shuttleworth of Birmingham is its President. Dr. James A. Dombrowski, its executive secretary, had been fighting a lonely battle against segregation years before the Negro revolt. Only white men have been charged—perhaps to maintain the myth that but for outside agitators all would be well. Dombrowski and Benjamin E. Smith, SCEF's treasurer, have been indicted. The latter's law partner, Bruce Waltzer, though not an SCEF official, has also been indicted—for failing to register that he was a member of the National Lawyers' Guild! The Guild's subversion is providing counsel in civil rights cases. The penalties are $10,000 fine and/or 10 years at hard labor. The SCEF has long been a target of Eastland and the Senate Internal Security Committee which seized and photostated its records while suit was pending in Federal court for their return. Senator Keating (R. N.Y.) told a delegation from the New York Council to Abolish the Un-American Activities Committee he would ask the Senate committee to reconsider the resolution authorizing this lawless procedure. He claimed he was not notified of the meeting which voted the resolution.

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